



News Release

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UNEMPLOYMENT INSURANCE FUND NEEDS ADDITIONAL REVENUE IN 2006

PHOENIX – (January 4, 2006) As required by federal and state law, many Arizona employers will see an increase in their contributions to the state's unemployment insurance fund to provide for the potential needs of a workforce that has grown beyond expectations.

The average unemployment insurance tax rate paid by Arizona employers will increase from 1.43 percent in 2005 to 1.48 percent in 2006. Arizona's rate will still be lower than what employers paid in 44 other U.S. states or jurisdictions in 2005. The average national rate in 2005 was 2.8 percent; employers in Pennsylvania and Illinois faced the highest rates at 4.9 and 4.7 percent, respectively.

Unemployment taxes paid by Arizona employers are deposited into a fund that is used solely to pay benefits to qualifying Arizona workers who lose their jobs through no fault of their own. By state law, the tax rate employers pay is self-adjusting and counter cyclical, meaning that after periods of high unemployment, the rates increase to replenish the fund (as they did from 1992 to 1995). Once the fund begins to approach the legally required balance, the rates begin decreasing again.

The 2006 tax rates for Arizona employers will range from .02 percent to 5.4 percent. Pursuant to a change in Arizona law in 2004, the rate paid by new Arizona employers was reduced from 2.7 percent to 2.0 percent. On average, Arizona employers will pay \$103.60 annually for each employee. Arizona employers also enjoy the lowest tax base allowed by law, meaning that taxes are paid only on the first \$7,000 in wages earned per employee. Forty states, the District of Columbia and the U. S. Virgin Islands have a higher tax base than Arizona; Hawaii had the highest tax base in 2005 at \$32,300.

